

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6874

BILL NUMBER: HB 1122

NOTE PREPARED: Dec 30, 2010

BILL AMENDED:

SUBJECT: Assessed value cap for veteran's deduction.

FIRST AUTHOR: Rep. Mahan

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill eliminates the assessed value (AV) cap of \$143,160 regarding the property tax deduction for a veteran who has either a total disability or who is at least 62 years old and has at least a 10% disability.

Effective Date: July 1, 2011.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, there are two property tax deductions available to disabled veterans. Some veterans may qualify for both deductions.

Veterans with wartime service and a service-connected disability of at least 10% or their surviving spouses are entitled to property tax deduction of \$24,960 on their real or personal property. There are no qualifications on AV.

In addition, veterans or their surviving spouses are currently entitled to a property tax deduction of \$12,480 on their real or personal property if the veteran is either totally disabled or at least age 62 with a disability of 10% or more. The disability need not be service-connected nor does the service need to be wartime service. In order to qualify, the AV of the property must be less than \$143,160. This bill would remove the

AV cap beginning with taxes payable in CY 2012.

For taxes payable in 2010 (2007 in LaPorte County), approximately 13,640 veterans received "totally disabled veteran" property tax deductions in the amount of \$164 M. A review of assessed values of single family homestead residences shows that one-third of these homesteads have assessed values that are at or above \$143,160.

Based on current assessed value levels, this bill could result in an estimated additional 6,800 deductions for totally disabled veterans. The total amount of the deduction could increase by about \$85 M. The additional deduction amount would shift about \$2M in taxes statewide from disabled veterans to all other taxpayers. Rate-controlled funds would lose revenue equal to the loss in net AV multiplied by the fund rate.

State Agencies Affected:

Local Agencies Affected: County auditors.

Information Sources: OFMA Property Tax Database.

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